Montana. Legislature. Office of the Montana Health Facility Authority, Department of
51.7232
72hfa
992

Office of the Legislative Auditor

State of Montana

Report to the Legislature

December 1992

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1992

Montana Health Facility Authority

Department of Commerce

We issued an unqualified opinion on the financial statements of the authority and our report contains no recommendations. Findings disclosed by our audit, if any, will be reported as part of the biennial audit of the Department of Commerce.

STATE DOCUMENTS COLLECTION
APR 1 1993
MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

PLEASE RETURN

Direct comments/inquiries to:
Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

92-26

Montana State Library
3 0864 1004 7577 4

FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Office of the Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Greg Jergeson, Chairman
Senator Tom Keating
Senator Paul Svrcek
Senator Gene Thayer

Representative John Cobb, Vice Chairman
Representative Larry Grinde
Representative Mike Kadas
Representative Robert Pavlovich

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

December 1992

The Legislative Audit Committee
of the Montana State Legislature:

This audit report contains our opinion letter on the financial statements of the Montana Health Facility Authority of the Department of Commerce for the two fiscal years ended June 30, 1992. We performed the audit solely to express an opinion on the authority's financial statements. Any findings disclosed by our audit were discussed with management and will be appropriately reported as part of our biennial audit of the Department of Commerce.

We would like to thank the administrator, his staff and Department of Commerce personnel for their cooperation and assistance during the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1992

Montana Health Facility Authority

Department of Commerce

Members of the audit staff involved in this audit were: John B. Fine and Frieda M. Houser.

Table of Contents

	Appointed and Administrative Officials	ii
Introduction	Introduction	1
	Background	1
	Pooled Loan Program	2
	Single Project Program	3
	Private Placement Program	4
Independent Auditor's Report & Agency Financial Statements	Summary of Independent Auditor's Report	A-2
	Independent Auditor's Report	A-3
	Balance Sheets - Enterprise Fund June 30, 1992 and 1991	A-4
	Statements of Revenues, Expenses, and Changes in Retained Earnings - Enterprise Fund for Fiscal Years Ended June 30, 1992 and 1991	A-5
	Statements of Cash Flows - Enterprise Fund for Fiscal Years Ended June 30, 1992 and 1991	A-6
	Notes to the Financial Statements	A-7
Agency Response	Montana Health Facility Authority	B-3

Appointed and Administrative Officials

Board Members

Dr. Amos R. Little, Jr., Chairman
Physician
Helena

John Bartos
Hospital Administrator
Hamilton

Sidney K. Brubaker
Banker
Terry

Gayle Carpenter
Montana Hospital Association
Helena

Dalyce K. Flynn
Health Care Marketing
Townsend

Gregory L. Hanson
Attorney
Missoula

Sandy Johnson
Banker
Fairfield

Administrative Staff

Jerry R. Hoover, Administrator

Michelle Barstad-Jones
Bond Program Officer

Geri Burton, Bond Program Assistant

Introduction

We performed a financial audit of the Montana Health Facility Authority (the Authority) for the two fiscal years ending June 30, 1992. We performed the audit in accordance with Generally Accepted Accounting Principles.

The objectives of our audit were to:

1. Determine if the financial statements of the Authority present fairly its financial position, results of operations, and statements of cash flows for the two fiscal years ending June 30, 1992.

2. Make recommendations for the improvement of management and internal controls of the Authority.

Background

The Montana Health Facility Authority was created by the 1983 Legislature. Its purpose is to contain future health care costs by offering debt financing or refinancing at reduced rates to Montana non-profit private and public health care institutions for purchases of capital equipment and buildings. The Authority is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The Authority is attached to the Department of Commerce for administrative purposes. Financial accounting for the Authority's operation is performed by the department's Management Services Division.

The Authority administers three programs: the Pooled Loan Program, the Single Project Financing Program, and the Private Placement Program. The programs are discussed in more detail below. The revenue bonds issued under the programs of the Authority do not constitute a debt or liability to the state of Montana or any political subdivision thereof, and therefore, are not reflected in the financial statements of the Authority. Additional information on amounts and maturity dates of the revenue bonds is disclosed in note 2 on pages A-8 through A-10.

Pooled Loan Program

The Pooled Loan Program provides low interest loans for eligible health institutions, as defined in section 90-7-104, MCA, to finance or refinance land, buildings, equipment, and improvement costs. Under this program, the Authority issues revenue bonds to establish a pool of funds, the proceeds of which are loaned to qualifying health institutions at interest rates which reflect the amount paid by the Authority on the bonds plus ongoing program expenses. The Authority presently administers 36 loans through the program. Outstanding revenue bonds for the 1985 pool totaled $38,800,000 and $39,000,000 at June 30, 1992 and June 30, 1991, respectively. The amount of loans made from the 1985 pool were $20,918,295 and $15,784,397 at June 30, 1992 and June 30, 1991, respectively. The Authority maintained $10,035,000 in required reserves during the audit period.

During fiscal year 1991-92, a portion of the proceeds from the 1985 Pooled Loan Program bond issue was available for loans to qualifying health institutions. The 1985 bond issue has a provision allowing the Authority to loan principal repayments received from outstanding loan agreements to eligible health facilities for additional capital improvements. All loans issued by the Authority are structured so that repayments can be used to redeem all outstanding bonds in the year 2015.

In July 1990, the Authority issued revenue bonds under the Community Provider Pooled Loan Program (Series 1990A and 1990B) in the amount of $5,858,000 for 12 community providers of services to persons with developmental disabilities and mental illness. The Series 1990A bonds were used to finance and refinance land, buildings, equipment, and improvement costs. Proceeds of the Series 1990B bonds were used to help pay issuance and insurance costs.

In September 1991, the Authority issued revenue bonds under the Community Provider Pooled Loan Program (Series 1991A and 1991B) in the amount of $3,944,000 for 11 community providers of services to persons with developmental disabilities and mental illness. The Series 1991A bonds were used to finance and refinance land, buildings, equipment and improvement costs.

Proceeds of the Series 1991B bonds were used to help pay issuance and insurance costs.

Single Project Program

The Single Project Financing Program authorizes tax-exempt financing on a project by project basis. Bonds or notes are issued for individual projects. Interest and other associated costs are paid by the participating institutions.

In February 1991, the Authority issued bonds in the amount of $36,000,000 for Deaconess Medical Center of Billings to refund outstanding revenue bonds of the City of Billings and a portion of the Authority's 1985 Series bonds. The balance of the bond proceeds funded capital expenditures of the hospital.

In May 1991, the Authority issued $56,535,000 of bonds for three hospitals (St. Patrick Hospital of Missoula, Columbus Hospital of Great Falls, and St. Joseph Hospital of Polson). The bond proceeds were used to refinance outstanding revenue bonds and finance capital expenditures.

In June 1991, the Authority issued bonds in the amount of $12,010,000 (Series 1991) for Montana Deaconess Medical Center Project in Great Falls. The proceeds of the bonds were used for remodeling expenses, construction expenses, equipment acquisition, and refinancing of a mortgage.

In August 1991, $7,000,000 of bonds were issued by the Authority (Series 1991) for St. Peter's Community Hospital of Helena. The bond proceeds were used for the improvement and expansion of the hospital.

In September 1991 bonds were issued by the Authority in the amount of $32,650,000 (Series 1991C) and $7,000,000 (Series 1991D) for Deaconess Medical Center for Billings. The proceeds of the bonds will be used to fund capital expenditures of the hospital and to refinance a portion of a taxable loan of the Authority's Hospital Facilities Variable Rate Revenue Bonds (Series 1985).

Private Placement Program

A private placement is the direct sale of a bond or note to a limited number of investors. In a private placement, the issuer, whether the Authority or city or county government, issues a bond or note on behalf of the health facility. The bond or note is privately placed with an investor who signs a letter stating the bond/note will not be immediately resold to the general public. A private placement generally reduces underwriting and bond issuance expenses by minimizing the costs and time involved in marketing the debt. It is usually a less costly method of financing projects under $5 million. The Authority's goal in this type of financing is to provide technical support to the client. The Authority did not organize any private placements during the audit period. However, in August 1992, it did give technical assistance to privately place bonds through a county. The Authority acted as a consultant, and the bonds were not issued by the Authority. Additional information on the private placement is disclosed in note 5 on page A-12.

Independent Auditor's Report & Agency Financial Statements

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The auditor's opinion issued in this report is intended to convey to the reader of the financial statements the degree of reliance which can be placed on the amounts presented. The reader may rely on the fairness of the amounts presented in the statements shown on pages A-4 through A-12.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Balance Sheets of the Montana Health Facility Authority (the Authority) - Enterprise Fund of the state of Montana as of June 30, 1992 and 1991, and the results of operations, and the statements of cash flows for each of the two fiscal years then ended. The financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montana Health Facility Authority of the state of Montana as of June 30, 1992 and 1991, and the results of operations and statements of cash flows for the two years then ended in conformity with generally accepted accounting principles.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

October 6, 1992

MONTANA HEALTH FACILITY AUTHORITY
DEPARTMENT OF COMMERCE

BALANCE SHEETS - ENTERPRISE FUND
JUNE 30, 1992 AND 1991

	1992	1991
ASSETS:		
Cash	$ 30,224	$ 24,163
Due From Other Funds	2,184	
Accounts Receivable	20,422	68,055
Interest Receivable	5,038	
Notes Receivable	7,845	8,985
Short Term Investment Pool	338,700	425,700
U.S. Treasury Notes (net of premium & discount)	199,824	
Prepaid Expense	282	217
Fixed Assets (net of accumulated depreciation)	4,082	7,962
Total Assets	$608,601	$535,082
LIABILITIES AND RETAINED EARNINGS:		
Liabilities		
Compensated Absences	$ 14,880	$ 13,743
Accounts Payable	4,613	13,030
Total Liabilities	19,493	26,773
Retained Earnings	589,108	508,309
Total Liabilities & Retained Earnings	$608,601	$535,082

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA HEALTH FACILITY AUTHORITY
DEPARTMENT OF COMMERCE

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
FOR FISCAL YEARS ENDED JUNE 30, 1992 AND 1991

	1992	1991
REVENUES:		
Fee Income	$213,503	$342,758
Total Revenues	$213,503	$342,758
EXPENSES:		
Personal Services	$ 51,214	$ 49,165
Contracted Services	44,184	33,909
Supplies and Materials	591	1,395
Communications	6,455	4,911
Travel	9,541	10,488
Rent	1,707	1,178
Repairs and Maintenance	140	176
Other Expenses	9,840	10,417
Depreciation - Equipment	1,805	2,574
Loss on Sale of Fixed Assets	2,075	0
Total Expenses	$127,552	$114,213
Revenues Over Expenses	$ 85,951	$228,545
Less Net Prior Year Adjustments	5,152	9,049
Revenues Less Prior Year Adjustments	80,799	219,496
Retained Earnings Beginning of Period	508,309	288,813
Total Retained Earnings	$589,108	$508,309

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA HEALTH FACILITY AUTHORITY
DEPARTMENT OF COMMERCE

STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
FOR FISCAL YEARS ENDED JUNE 30, 1992 AND 1991

	1992	1991
SOURCE OF CASH		
Operations:		
Revenues Over Expenses	$ 80,799	$219,496
Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	1,805	2,574
Loss on Sale of Equipment	2,075	
Interest on Investments	(27,903)	(25,169)
Change in Assets & Liabilities:		
Increase in Compensated Expenses Payable	1,137	1,773
Decrease/Increase in Accounts Payable	(8,417)	1,984
Decrease/Increase in Accounts Receivable	47,632	(30,175)
Increase/Decrease in Prepaid Expense	(65)	1,203
Decrease in Notes Receivable	1,140	1,275
Increase in Due From Other Funds	(2,168)	
Total Adjustments	15,236	(46,535)
Net Cash Provided by (Used for) Operating Activities	96,035	172,961
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(200,000)	
Interest on Investments	23,026	25,169
Net Cash Provided by (Used for) Investing Activities	(176,974)	25,169
Net Increase (Decrease) in Cash and Cash Equivalents	(80,939)	198,130
Cash & Cash Equivalents, July 1	449,863	251,733
Cash & Cash Equivalents, June 30	$ 368,924	$449,863

The accompanying notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

Basis of Accounting

The Authority's Enterprise Fund uses the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable.

Reporting Entity

The preceding financial statements are prepared from the Statewide Budgeting and Accounting System (SBAS) with adjustments and include the financial activity of the Authority's account in the Enterprise Fund. These statements are summaries of entries in SBAS recorded for the Authority and exclude any entries recorded for other agencies. Accordingly, these financial statements are not intended to fairly present the financial position, results of operations, or changes in financial position of the state of Montana.

Nature of Fund

The fund maintained by the Authority, which conforms with authorizing legislation and Authority resolutions, is described as follows:

Enterprise Fund

The Enterprise Fund is used to account for operations (a) financed and operated similar to private business enterprises, where the intent of the legislature is that costs are to be financed or recovered primarily through user charges, or (b) where the legislature has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate.

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is provided for by using the straight-line method over the respective estimated useful lives of the assets.

Compensated Absences

Permanent employees are allowed to accumulate and carry over into a new calendar year a maximum of two times their annual accumulation of vacation. Upon termination, qualifying employees having unused accumulated vacation and sick leave receive 100 percent payment for vacation and 25 percent payment for sick leave.

2. Revenue Bonds and Notes Outstanding

Resolutions adopted by the Authority have provided for trust and other agreements that establish specific funds to account for the proceeds of the various bond and note issues, mortgage and revenue notes receivable, debt service payments, payments by participating health care institutions, construction costs, and issuance costs. Specific funds established by agreements are held by trustees, or other participating financial institutions for the purpose of liquidity. Revenues are collected and disbursements made only in accordance with the provisions of applicable bond and note documents.

The loans, in many instances, are secured by first mortgages or security interests in the land, buildings, and related facilities and equipment financed by the Authority and utilized by the health facilities. In all remaining transactions, loan payments are secured by standby letters of credit from banks rated "A" or better.

These liabilities do not constitute a debt or liability to the state of Montana or any political subdivision thereof, and therefore, are not reflected in the financial statements of the Authority.

Revenue Bonds Payable:

Issue	Period Outstanding	Type of Interest Rate	Bonds Outstanding at June 30, 1992	Bonds Outstanding at June 30, 1991
Health Care Variable Rate Revenue Bonds (Pooled Loan Program) Series 1985A	1985-2015	Variable	$38,800,000	$39,000,000
Hospital Facilities Refunding Revenue Bonds (Bozeman Deaconess Foundation Project) Series 1987	1987-2014	Fixed	14,905,000	15,155,000
Health Care Revenue Bond (Community Provider Pooled Loan Program) Series 1988	1988-2003	Fixed	1,260,000	1,320,000
Hospital Facilities Refunding Revenue Bonds (St. Peter's Community Hospital) Series 1989	1989-2010	Fixed	8,705,000	8,940,000
Hospital Facilities Revenue Bonds (Kalispell Regional Hospital Project) Series 1990	1990-2010	Fixed	14,125,000	14,475,000
Health Care Revenue Bond (Community Provider Pooled Loan Program) Series 1990	1990-2010	Fixed	5,696,000	5,858,000
Hospital Facilities Revenue Bonds (Billings Deaconess Medical Center) Series 1991	1991-2016	Variable	36,000,000	36,000,000
Hospital Facilities Revenue Bonds (Sisters of Providence - St. Patrick Hospital in Missoula, Columbus Hospital in Great Falls, and St. Joseph Hospital in Polson)	1991-2012	Fixed	56,535,000	56,535,000
Hospital Facilities Revenue Bonds (Great Falls Deaconess Medical Center) Series 1991	1991-2011	Fixed	12,010,000	12,010,000
Hospital Facilities Revenue Bonds (St. Peter's Community Hospital in Helena) Series 1991	1991-2011	Fixed	6,815,000	0
Hospital Facilities Revenue Bonds (Billings Deaconess Medical Center) Series 1991C	1991-2017	Variable	32,650,000	0
Hospital Facilities Revenue Bonds (Billings Deaconess Medical Center) Series 1991D	1991-2000	Fixed	7,000,000	0
Health Care Revenue Bonds (Community Provider Pool Loan Program) Series 1991 A,B	1991-2011	Fixed	3,944,000	0
Revenue Bonds Outstanding			$238,445,000	$189,293,000

Stated maturities on Revenue Bonds Payable are as follows:

Maturing In Year Ended June 30	Outstanding June 30, 1992	Outstanding June 30, 1991
1992	$ 0	$ 1,257,000
1993	5,191,000	3,349,000
1994	5,251,000	3,541,000
1995	5,629,000	3,765,000
1996	6,130,000	4,001,000
1997	6,142,000	4,267,000
1998-2000	21,563,000	14,619,000
2001-2005	40,613,000	33,410,000
2006-2010	29,840,000	23,050,000
2011-2017	118,086,000	98,034,000
Total	$238,445,000	$189,293,000

The bonds are payable solely from loan repayments to be made by health institutions pursuant to loan agreements and, further, from the funds created by the indenture and investment earnings thereon.

Revenue Notes Payable:

Issue	Due	Interest Rate	June 30, 1992	June 30, 1991
West Mont Home Health Services, Inc. Series 1985 Hospital Revenue Note	1987-2004	2% under Bank Floating Rate	$321,000	$346,000
Total			$321,000	$346,000

The notes are payable solely from loan repayments to be made by health institutions pursuant to loan agreements.

3. Investments

Investments are units purchased in the state of Montana's Short-Term Investment Pool (STIP) and U.S. Treasury Notes. Investments are reflected at cost which equals market. At June 30, 1992 the Authority owned 3,387 units valued at $100 per unit for a total of $338,700. STIP securities include Banker's Acceptances, Commercial Paper, Corporate Obligations, Montana Certificates of Deposit, Government Securities and Repurchase Agreements. At June 30, 1992, the Authority owned two U.S. Treasury Notes at $100,000 par value each. One was purchased at a premium and the other was purchased at a discount. The value of the treasury notes, net of premium and discount, at

June 30, 1992 was $199,824. At June 30, 1992, $171,429 of the U.S. Treasury Notes were loaned under a security lending agreement with the state's agent. The STIP units and the remaining portion of the notes were held by the state or its agent in the state's name.

4. Pension Plan

The Authority and its employee contribute to the Public Employees' Retirement System (PERS), a cost sharing, multiple employer, defined benefit pension plan. Established in 1945 and governed by Title 19, Chapter 3, MCA, PERS participants are eligible to retire at age 60 with at least five years of service, at age 65 regardless of length of service or at 30 years of service regardless of age. A reduced retirement benefit may be taken with 25 years of service or at age 50 with a minimum of five years of service. Retirement benefits are calculated by taking 1/56 times the years of service times the final average salary. Vesting occurs once membership service totals 5 years. The Authority and its employee were required to contribute 6.417 percent of annual compensation in fiscal year 1991-92.

As of June 30, 1992, one Authority employee was covered by PERS. The Authority's covered payroll was $40,106 and PERS contributions were $2,574 in fiscal year 1991-92.

Actuarial valuations are preformed at PERS every two years. The latest valuation was performed June 30, 1992. In calculating the pension benefit obligation, the actuary assumed a return on investments of 8 percent, salary inflation increases of 6.5 percent, and no change in post retirement benefits.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The Authority is unable to determine the actuarial present value

of credited projected benefits and net assets available for benefits since the information is available only on a total state basis, not agency basis.

The pension benefit obligation at June 30, 1992, for PERS as a whole was $1,294,672,000. The system's net assets available for benefits at cost on June 30, 1992, were $1,007,757,000 leaving an overall unfunded pension benefit obligation of $286,915,000. The Authority is not responsible for any state system unfunded liability.

Ten-year historical trend information showing the PERS progress in accumulating sufficient assets to pay benefits when due is presented in the system's June 30, 1992, annual financial report.

5. Subsequent Event and Related Party

On July 15, 1992, the Authority issued revenue bonds under its Hospital Pooled Loan Program (Series 1992) in the amount of $4,645,000 for two hospitals. The proceeds of the bonds will be used to finance or refinance the purchase of equipment and property or the construction of facilities.

The Hospital Pooled Loan Program was designed to meet the capital financing needs of intermediate size hospitals. In order to give the hospitals a better bond rating, the Authority entered into a stand-by loan agreement with the Board of Investments (BOI) related to the Series 1992 bonds. The Authority also pledged a portion of their retained earnings, if necessary, to repay the BOI loan. The Authority paid BOI .76 percent of the principle amount of the bonds or $35,302 for the agreement.

The 1991 Legislature authorized BOI to loan money to the Authority as security for the payment of bonds and notes issued under the Authority's Hospital Pooled Loan Program. BOI irrevocably agreed to lend, if necessary, to the Authority, payable to the trustee, funds sufficient to ensure timely payment of bond principal and interest. The loans, if necessary, will be made by BOI from the Permanent Coal Trust Fund. Both BOI and the Authority are administratively attached to the Department of Commerce.

Agency Response

MONTANA HEALTH FACILITY AUTHORITY

DEPARTMENT OF COMMERCE

STAN STEPHENS, GOVERNOR

CAPITOL STATION

STATE OF MONTANA

(406) 444-5435 FAX (406) 449-6579 HELENA, MONTANA 59620

November 20, 1992

Mr. Scott Seacat
Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Seacat:

This correspondence is to inform you that the Authority is pleased with the opinion issued by your office in connection with the financial statements for the two fiscal years ended June 30, 1992. We very much appreciated the cooperative working relationship between the staff of your office, and the Department of Commerce and the Authority during the audit.

Sincerely,

Jerry R. Hoover
Administrator

Board of Directors: A.R. "Bud" Little, MD, Chairman, Helena

Kent Brubaker, Terry
Sandy Johnson, Fairfield
Dalyce K. Flynn, Townsend
Gayle Carpenter, Helena
Gregory L. Hanson, Missoula
John Solheim, Glendive